STAFF REPORT

Meeting Date: August 4, 2020

To: Honorable Mayor & City Council

From: Eduardo Luna, City Auditor

Subject: Annual Audit Work Plan for Fiscal Year 2020/21

Attachments: 1. FY 2020/21 Audit Suggestions

INTRODUCTION

This item is submitted for consideration of the City Auditor’s proposed audit work plan for FY 2020/21. The audit work plan identifies proposed audits for the upcoming fiscal year. It is anticipated that all audit work will be performed in-house. In addition, the work plan identifies the City Auditor’s activity related to the implementation of the Trust & Innovation Portal.

DISCUSSION

Background

On July 16, 2019, the City Council reviewed and concurred with the first Annual Audit Work Plan for the Office of the City Auditor. The work plan identified eight performance audits and activity related to the Trust and Innovation Portal (TIP). During the current fiscal year, my office made progress in completing the work plan. However, due to the COVID-19 pandemic, the subsequent State of Emergency declaration, and redeployment of a Principal Performance Auditor to the Emergency Operations Center, I suspended ongoing audit work in mid-March 2020. Specifically, the following audit projects were temporarily suspended because of COVID-19:

- Management of Real Estate Assets (Report issued June 26, 2020)
- Beverly Hills Conference and Visitors Bureau (Report Writing)
- City Take-Home Vehicles (Not Started)
- Rodeo Drive Committee (Not Started)
Audit Resources

For FY 2020/21, the Office of the City Auditor is fully staffed with two Principal Performance Auditors\(^1\). The Office of the City Auditor has 3,600 available audit hours to conduct performance audits, monitor outside audit engagements, and oversee the Trust & Innovation Portal. I should note that given the current budget situation, I plan to perform all audit work in-house and not rely on any external auditors or consultants. Given the uncertainty of the pandemic and its impact to City operations, it is more prudent to propose a six-month audit work plan for FY 2020/21. At mid-fiscal year, we can reassess the situation and propose an updated work plan for the remainder of the fiscal year. My recommendation is to undertake two to three performance audits for the first half of the fiscal year.

Proposed FY 2020/21 Audit Work Plan

Given that we are in a prolonged state of emergency, the City will have reduced revenues for the next 18 to 24 months, which will impact continued levels of service. In this environment, the City Auditor should be more forward looking, as opposed to auditing programs that operated in previous fiscal years. Many City programs may not operate in the same manner going forward, but rather exist virtually (e.g., online classes, payments and permitting) or possibly cease to exist.

As part of the conversation at the July 7, 2020 Audit and Finance Committee Liaison meeting, the Liaisons suggested the following audit categories based on the proposed audit projects:

- **Operational Efficiencies** – reviewing if the City is delivering services in the most cost-efficient manner possible;

- **High Dollar Exposure** – reviewing departments, services, programs, projects, etc. with high expenditures and determining if the outcomes are worth the investments; and

- **Enforcement** – reviewing enforcement efforts around City regulations such as code compliance and traffic enforcement.

The City Manager, and the group as a whole, also expressed an interest in reviewing the ways in which the City can improve and/or adapt its operations and service delivery during and after the COVID-19 emergency. A complete list of audits considered are shown in Attachment 1.

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\(^1\) The Principal Performance Auditor assigned to the Emergency Operations Center is working on business continuity and advanced planning. This assignment impacts the auditor’s availability to work full-time on performance audits. Until the state of emergency is over, the auditor is only available 60 percent of the time to conduct audit work.
Based on the discussion, we are proposing the following three audits shown below:

<table>
<thead>
<tr>
<th>Theme</th>
<th>Audit Objectives</th>
<th>Potential Risks</th>
<th>Areas for Review</th>
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| **Innovation**  
* (Operational Efficiency) | Assess if the City is properly positioned for adapting to the current changing conditions in the ways residents communicate, conduct business, and evolve around advancements in technology and eco-friendly products and services? | • The City will revert to pre-pandemic practices for service-delivery that are outdated and not the best models for post-pandemic realities.  
• The City may miss an opportunity to evaluate potential areas for innovation and improvements in service delivery.  
• The City is unaware of resident, staff, business, and other stakeholders’ needs, including services needed, how those services should be delivered, and customer satisfaction regarding service delivery. | 1. Analyzing the City’s telework program, including whether policies have been established, costs and savings, worker productivity, technological capacity, etc.  
2. Identify services that have or can transfer to an online/remote environment for service-delivery. For those services that have, assess the success and areas for improvement.  
3. Benchmark other cities to identify additional innovative approaches for creating a “Smart City” and compare the City’s readiness.  
4. Solicit public, staff, and business input via the Trust and Innovation Portal (TIP). |
| **Traffic Safety**  
* (Enforcement) | Determine if the City’s traffic safety program effective in its enforcement and oversight of public safety. | • The City does not consistently conduct traffic safety education and enforcement endangering public safety.  
• The City’s resource capacity for traffic enforcement is limited.  
• Traffic enforcement is not focused on high risk areas.  
• Mechanisms for the public to address traffic violations are ineffective or of subpar customer service quality. | 1. Review trends in citations for a given period.  
2. Review staff time dedicated to traffic enforcement activities (e.g. unit staffing, court time, etc.).  
3. Review incident data and reports for a given period to identify high risk areas. |

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2 E.g. Plan Review, Permits, Online Payments, City Council Remote Options, etc.
During the meeting, the Committee also discussed the issue of auditing police reform in the context of use of force and conducting a detailed zero based budget review of a department. Further, we determined going forward with the Take Home Vehicle Audit and Rodeo Drive Committee Audit was not the best use of audit resources at this time.

In addition, we are also undertaking the following on-going audit activity.

| 1. | Trust & Innovation Portal: Fraud-related complaints | Investigate allegations of potential fraud, waste, and abuse in City operations | Financial, Personal Integrity | Fraud |
| 2. | Trust & Innovation Portal: Research Suggestions | Research suggestions for improving City government. Non-audit service under Government Auditing Standards | Economy & Efficiency | Other Services |
| 3. | Recommendation Follow Up | Verify reported implemented recommendations | Compliance | Other Services |

**FISCAL IMPACT**

There is no direct fiscal impact to carrying out the proposed annual audit work plan. Audit resources have already been budgeted to carry out the annual audit work plan. It is possible proposed audit work can result in future cost savings and/or increased revenue opportunities.

**RECOMMENDATION**

The City Auditor recommends that the Mayor and City Council review and provide direction on the Annual Audit Work Plan for FY 2020/21.

Eduardo Luna,
City Auditor
Approved By
Attachment 1
# FY 2020/21 Audit Suggestions

## New Ways of Doing Business

<table>
<thead>
<tr>
<th>New Ways of Doing Business</th>
<th>Department</th>
<th>Audit Type</th>
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| 1) Review of the tools needed for effective teleworking and assess the controls for appropriate oversight of telework operations.  
   a) Number of employees teleworking  
   b) Impact of teleworking on City facility space needs  
   c) Long term benefits of teleworking                                                   | All        | Economy and Efficiency   |
| 2) Survey of residents to assess impacts of COVID-19 pandemic on residents (see Attachment 2, Excerpts of Resident Survey Results, Sacramento, CA) | All        | Economy                  |
| 3) Survey employees, businesses and residents for innovative ideas/improvements to city services.  
   a) Examine new and innovative ways of doing business to prepare for future (streamline processes, social distancing, etc.)  
   b) Adopt new ways of doing business and maintaining flexibility (e.g. virtual city hall) | All        | Economy and Efficiency   |
| 4) Use of non-sworn personnel (e.g., ambassadors or social workers) to deal with homeless. | CS         | Economy and Efficiency   |
### FY 2020/21 Audit Suggestions

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<th>Fiscal Impact</th>
<th>Department</th>
<th>Audit Type</th>
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| 5) Review proposed FY 2020/21 budget and key assumptions  
   i) Examine use of consultants                                                                                                                                                                              | All        | Fiscal     |
| 6) Undertake zero-based budget reviews of department budgets to identify opportunities for cost cutting.                                                                                                         | All        | Fiscal     |
| 7) Review of existing City services that can be automated, such cell phone reimbursement process, time and cost versus flat fee payments.                                                                     | All        | Fiscal     |
| 8) Audit of replacement and maintenance schedule for various programs.  
   a. Technology/equipment, and licensing costs.  
   b. Vehicles,  
   c. Other equipment                                                                                                                                                                                     | All        | Fiscal     |
| 9) Audit of the Police Department staffing and scheduling.  
   a. Review growth of department budget over the last four fiscal years.                                                                                                                                   | Police     | Fiscal     |
<p>| 10) Do all of our financial transactions have appropriate safeguards? Signature authority, two person oversight etc.                                                                                          | Finance    | Economy and Efficiency |
| 11) Accounts Receivable: Are we current on all money owed us? Both from individuals and governmental agencies.                                                                                              | Finance    | Fiscal     |
| 12) Sole source procurement: To what extent do departments rely on sole source procurement? Do we pay an appropriate price?                                                                                      | Finance    | Fiscal     |
| 13) Citywide overtime: Examination of management rights vs MOU rules. Citywide review of accrual use (related to overtime use for public safety)                                                             | All        | Fiscal     |
| 14) Review of Procurement Card Program                                                                                                                                                                       | All        | Fiscal     |
| 15) Audit related party agreements, while some have operating agreements, the overall arrangements may not be fully documented (e.g. expectations re: purchasing rules, use of City facilities, etc.) | Other      | Compliance |</p>
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<th>COVID-19 Response and Protests</th>
<th>Department</th>
<th>Audit Type</th>
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<td>16) Compliance auditing of FEMA reimbursement/cost recovery.</td>
<td>Finance</td>
<td>Fiscal</td>
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<td>17) Audit of police use of force policies</td>
<td>Police</td>
<td>Compliance</td>
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<td>18) Anti-bias police training</td>
<td>Police</td>
<td>Compliance</td>
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<tr>
<td>19) Were procurement processes followed when sourcing PPE and other equipment/materials for the COVID-19 response? For example, did the City purchase items from approved vendors? Did the City pay competitive prices for items purchased?</td>
<td>All</td>
<td>Compliance</td>
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<th>Other City Processes</th>
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<td>20) Has the Metro process be done according to the rules we set? How many violations? How many repeat? How often are they shut down? Did we get all the money we should?</td>
<td>Public Works</td>
<td>Compliance</td>
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<td>21) Restaurant streamlining planning process. How is it going? What percentage are within 7 days?</td>
<td>CS</td>
<td>Economy and Efficiency</td>
</tr>
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<td>22) Provide as needed assistance and research for City Council items.</td>
<td>All</td>
<td>All</td>
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